

Rural Cellular Association  
Alliance of Rural CMRS Carriers

Federal-State Joint Board on Universal Service

CC Docket No. 96-45

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# Overview

- The Commission Must Enforce the Core Principle of Competitive Neutrality.
- The Current System of “Per Line” Support Prevents Construction of Multiple Networks in High-Cost Areas.
- Properly Targeting Support is Critical to Controlling Fund Growth and Driving Investment to High-Cost Areas.
- States Must be Given Guidance That the Broad Preemption Contained in Section 332 Must be Honored.

# Competitive Neutrality

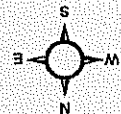
- Section 254 is about delivering choices to rural consumers, not protecting any class of carrier.
- Intercarrier compensation, LNP delays, access to numbers, and illegal wireline tariffs must all be dealt with to ensure consumers have competitive choices.
- Proposals to limit fund growth by having regulators pick winners must be rejected.
- All qualified carriers should be granted ETC status under a system that requires investment which is targeted to high-cost areas.

# Per-Line Support Limits Fund Growth and Prevents Stranded Investment

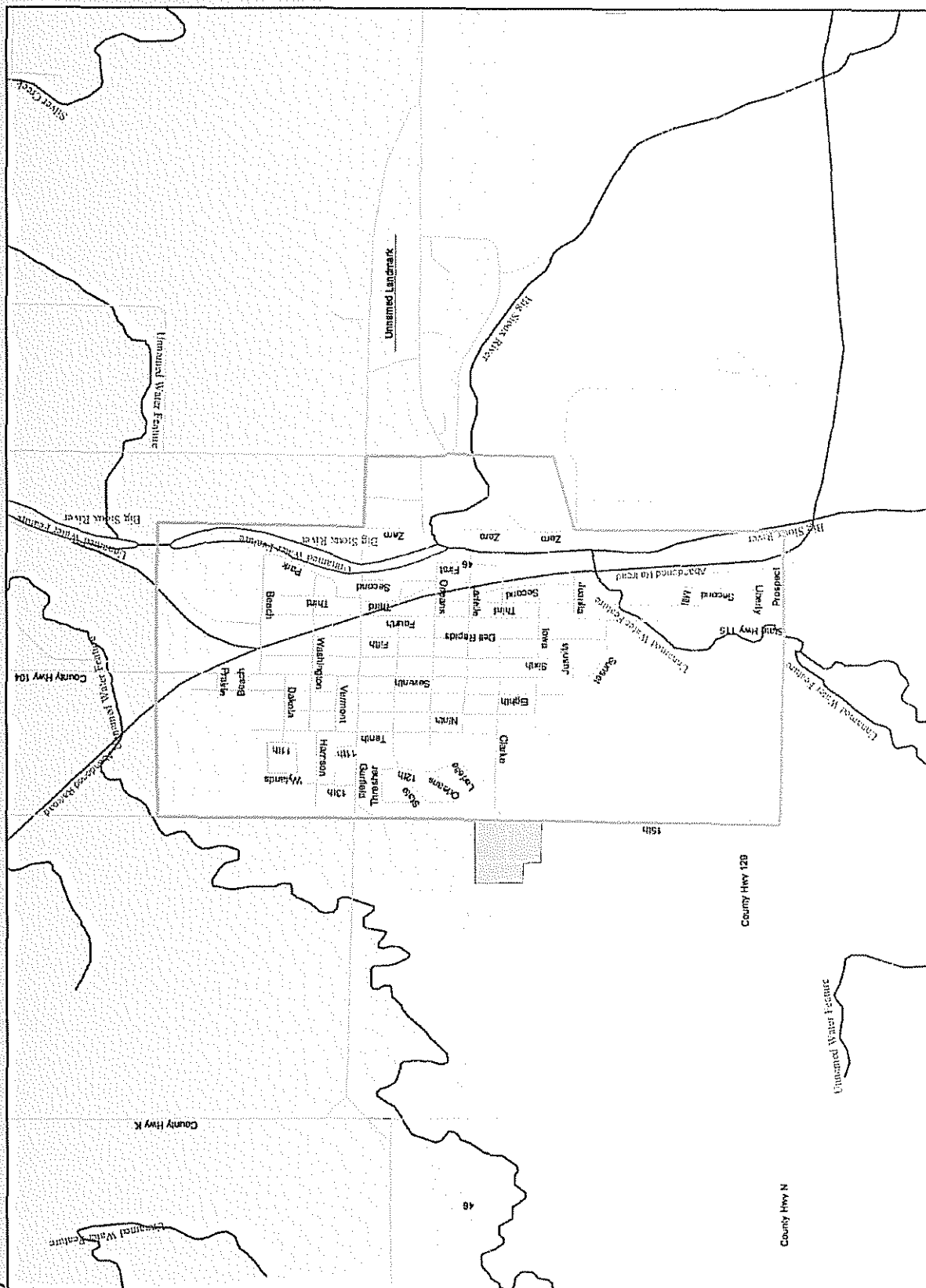
- Drives efficient competitive entry: competitors must assess customer and support revenue streams before entering.
- Investment must be made first. 100% at risk, which punishes inefficient investment.
- De facto cap on support to competitors. Removes from regulators the need to pick winners or limit number of entrants.
- In a high-cost area, the effect on fund is the same irrespective whether one CETC or several CETCs are designated.
- Multiple ETCs cannot construct facilities in highest cost areas – not enough lines to capture.
- Subsequent entrants either do not choose ETC status or they must resell to meet ETC obligations.

# Support Must Be Accurately Targeted to High-Cost Areas

- Competition and investment already present in low-cost areas – the goal is to protect ILECs from *subsidized* competition in these areas.
- The 2001 RTF Order set out a very effective means of introducing competition, while also targeting high-cost support to high-cost areas.
- ILECs agreed disaggregation needed to protect their low-cost areas.
- Disaggregation solves the “partial wire center” problem - makes it irrelevant where a competitor enters as an ETC.
- Non-rural carriers are disaggregated by wire center, enabling competitors to target new investment to high-cost areas.
- Virginia Cellular and some state decisions denying ETC in both low and high-cost areas harm consumers because of the failure to require support to be targeted (the Waynesboro-Bergton problem).



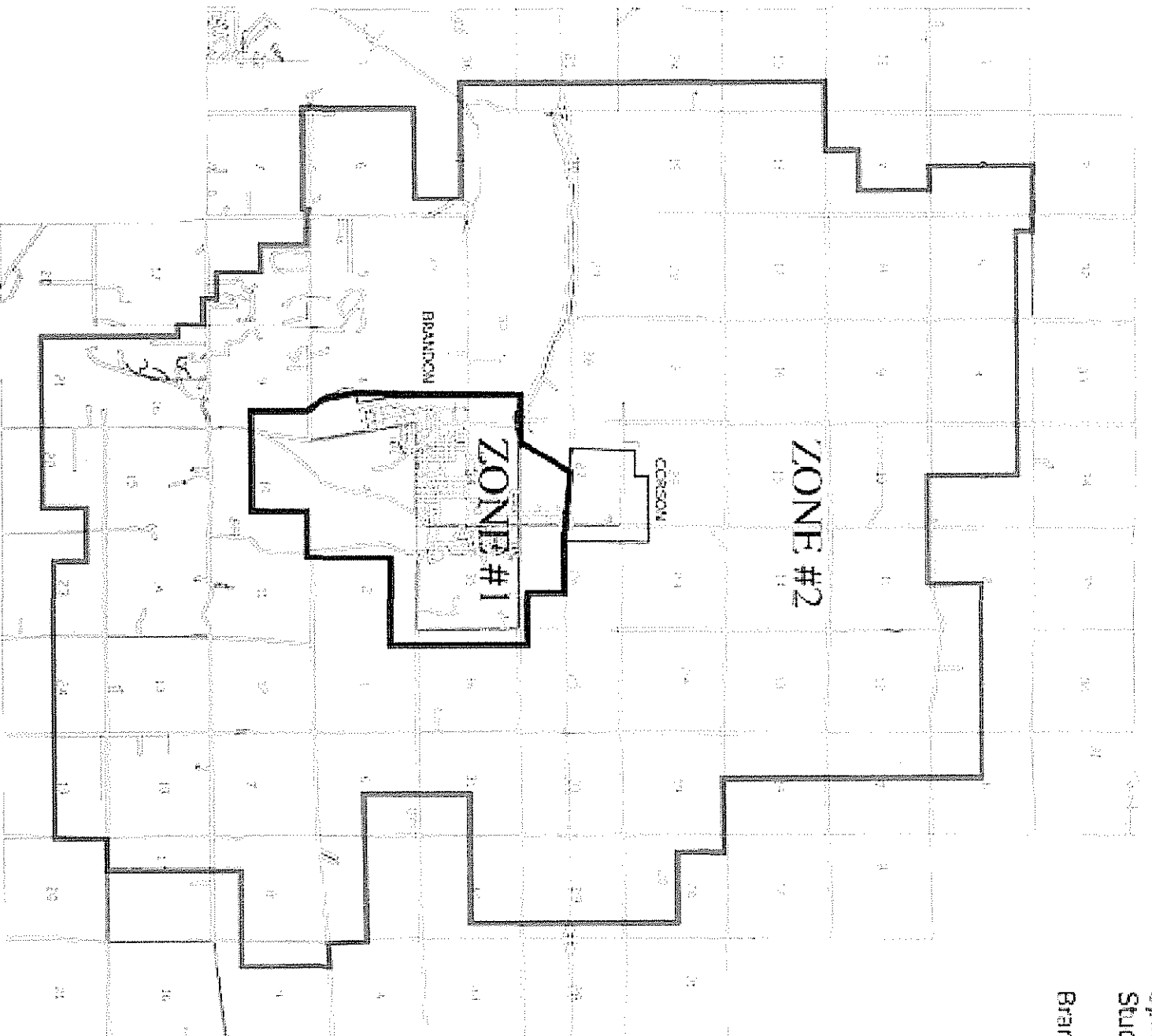
0.5 Miles  
0 0.25



Legend

= Zone 2

Brandon Exchange



USF Disaggregation

Zone 1 = Entire Exchange less Town of Colton

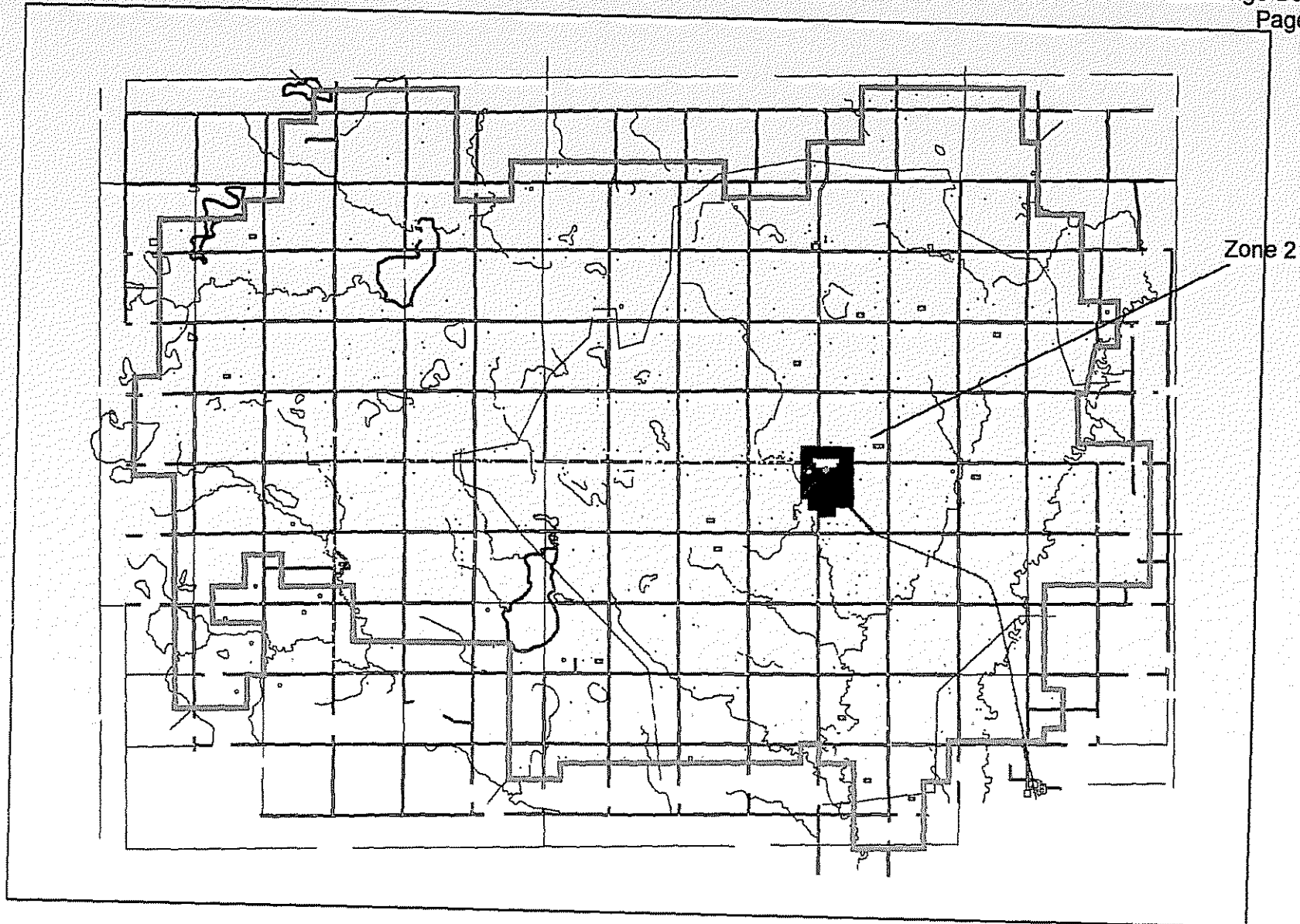
Zone 2 = See page 2 of 9 for details

Sioux Valley Telephone Company

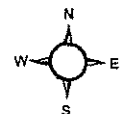
USAC No. 391677

Colton Exchange Boundary

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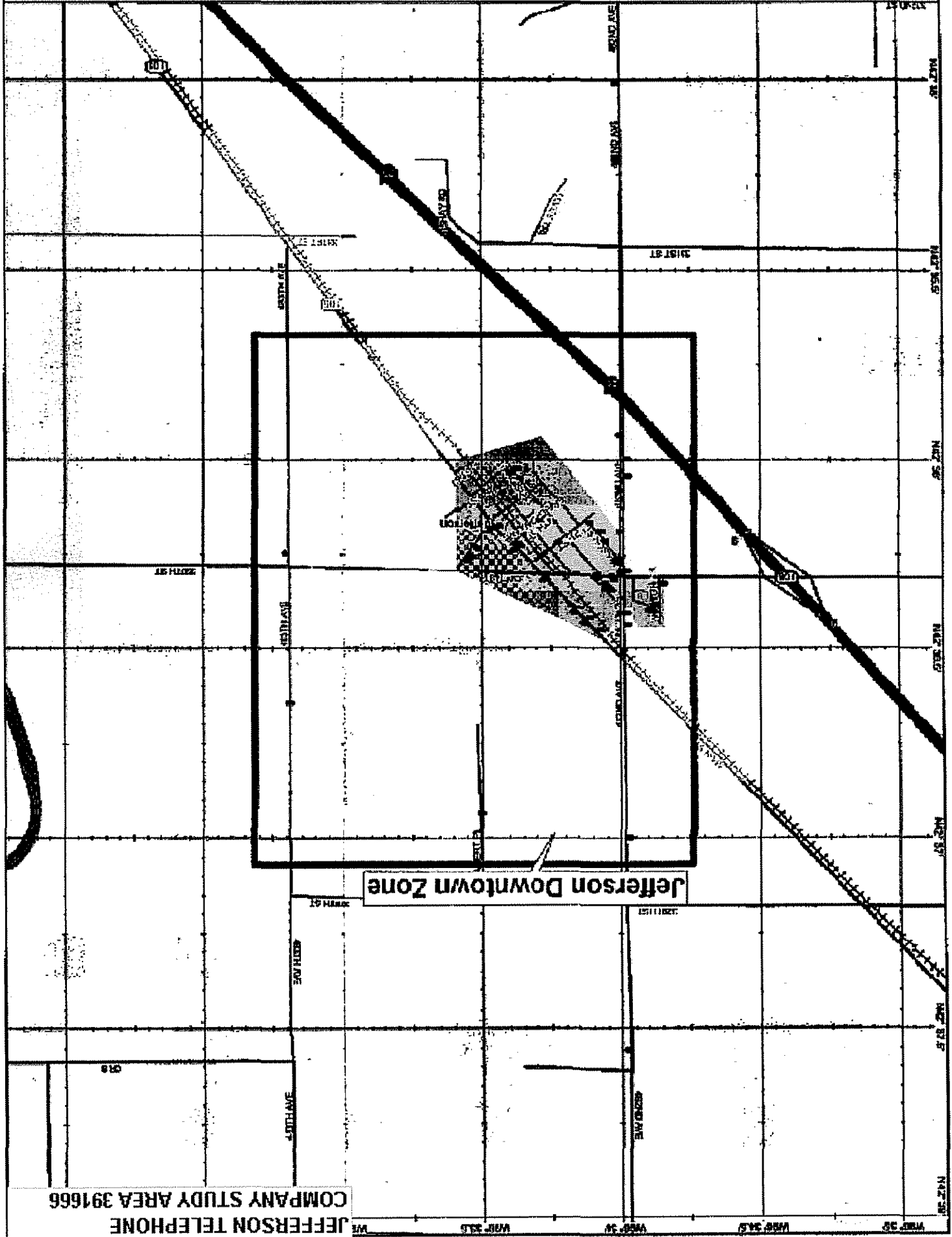
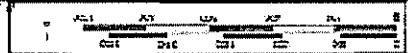
0 60,000 120,000 240,000 360,000 480,000 Miles



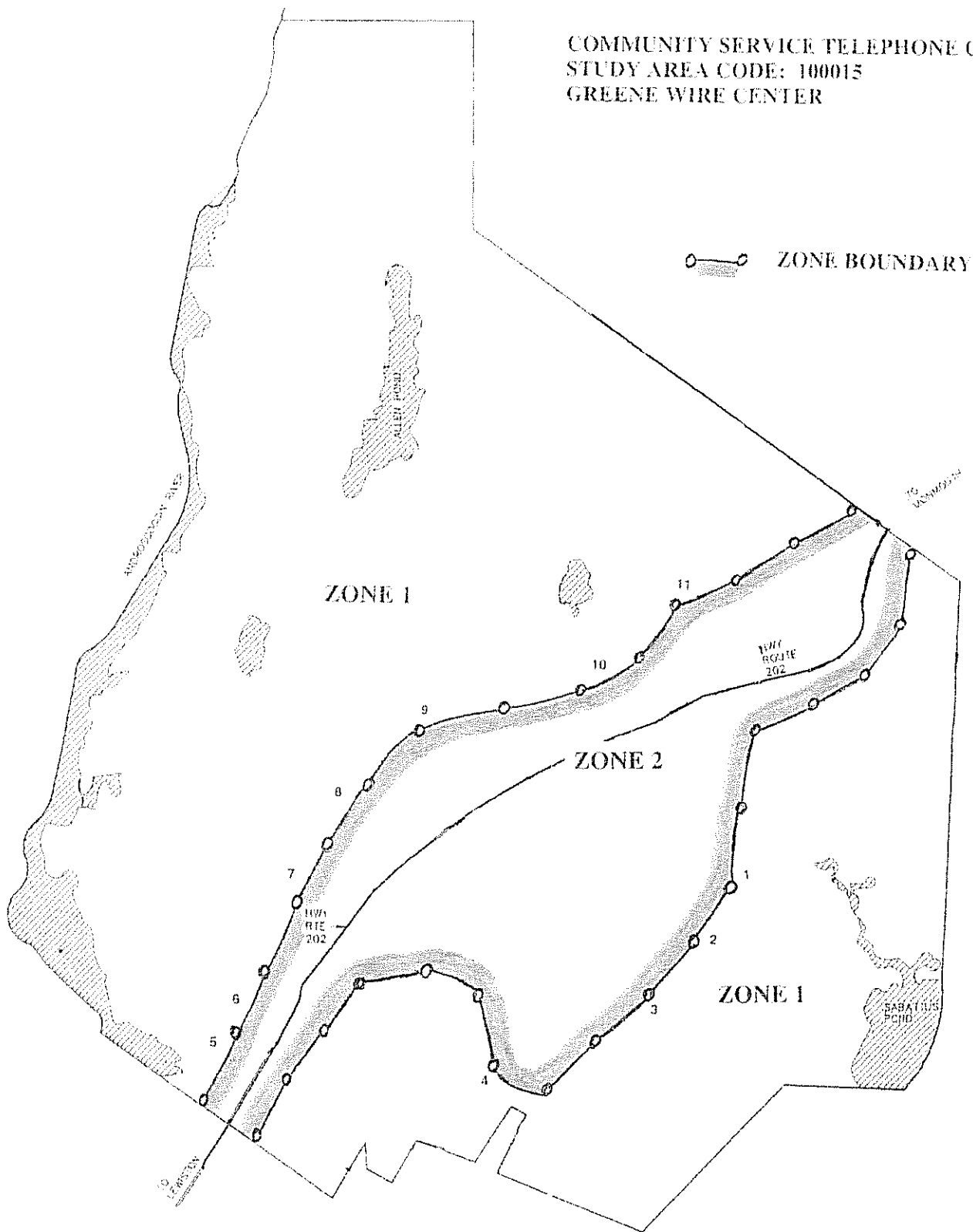




Scale 1 : 25,000  
1" = 2080 ft



COMMUNITY SERVICE TELEPHONE CO  
STUDY AREA CODE: 100015  
GREENE WIRE CENTER



WIRE CENTER EXTERNAL BOUNDARIES ARE AS FILED WITH THE MAINE PUBLIC UTILITIES COMMISSION

POINTS WHERE ROADS INTERSECT ZONE BOUNDARY

- 1 90 Bull Run Road
- 2 330 Sawyer Road
- 3 70 Coburn Road
- 4 425 College Road
- 5 85 South River Road
- 6 50 Saunders Road
- 7 60 Meadow Hill Road
- 8 40 Merrill Hill Road
- 9 160 Patten Road
- 10 100 Allen Pond Road
- 11 160 Grey Road

Highland Cellular example:

**Table 1**

| Wire Center Name | Number of Customers | Support Available | Total              |
|------------------|---------------------|-------------------|--------------------|
| Athens           | 686                 | \$11.92           | \$8,177.12         |
| <b>Bluefield</b> | <b>3,470</b>        | <b>\$11.92</b>    | <b>\$41,362.40</b> |
| Bluewell         | 640                 | \$11.92           | \$7,628.80         |
| Bramwell         | 113                 | \$11.92           | \$1,346.96         |
| Matoaka          | 239                 | \$11.92           | \$2,848.88         |
| Oakvale          | 198                 | \$11.92           | \$2,360.16         |
| <b>Princeton</b> | <b>4,521</b>        | <b>\$11.92</b>    | <b>\$53,890.32</b> |
| Frankford        | 282                 | \$37.72           | \$10,637.04        |
| Rupert           | 27                  | \$16.80           | \$453.60           |

**Total Without Disaggregation:    \$128,705.28**

Highland Cellular example:

**Table 2**

| Wire Center Name | Number of Customers | Support Available | Total         |
|------------------|---------------------|-------------------|---------------|
| Athens           | 686                 | \$38.24           | \$26,232.64   |
| <b>Bluefield</b> | <b>3,470</b>        | <b>\$0.00</b>     | <b>\$0.00</b> |
| Bluewell         | 640                 | \$20.44           | \$13,081.60   |
| Bramwell         | 113                 | \$20.44           | \$2,309.72    |
| Matoaka          | 239                 | \$38.24           | \$9,139.36    |
| Oakvale          | 198                 | \$38.24           | \$7,571.52    |
| <b>Princeton</b> | <b>4,521</b>        | <b>\$0.00</b>     | <b>\$0.00</b> |
| Frankford        | 282                 | \$34.04           | \$9,599.28    |
| Rupert           | 27                  | \$23.80           | \$642.60      |

**Total With Disaggregation: \$68,576.72**

# Section 332 Preemption Must be Honored

- Virginia Cellular Properly Set the Bar for ETC Designation.
- Most states are designating ETCs under similar or more stringent standards.
- The Commission should reiterate its prior holding that Section 332 preemption is in effect for CMRS carriers that are ETCs.
- For example, some states are conditioning ETC designation on:
  - Submitting to rate regulation in various forms.
  - Requiring minimum local usage on mobile plans, but not wireline plans.
  - Imposing ILEC-style service requirements on wireless ETCs with one size fits all approach.
  - Imposing coverage requirements that only apply to wireless carriers.
  - Various other conditions that collectively form barriers to entry.

# Final Points

- Rules must drive wireless investment, not inhibit it.
- FCC should adopt Virginia Cellular model and monitor all carriers' use of support to ensure investment in rural high-cost areas.
- Rural consumers are paying into the fund but are getting only a trickle of benefits for their investment. Wireless now contributes over \$2 billion per year, 90% of it going to ILEC competitors.
- FCC must continue its policy of promoting efficient investment – controlling fund growth by limiting entry by qualified carriers does not serve consumers who want choices now.
- States now understand the critical health/safety and economic development benefits that new ETCs are delivering. FCC must encourage investment in rural America.